April 13, 2008

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: File 4-557 NIPC Rule Petition - Customer Account Rule

Dear Ms. Morris:

For hundreds of years, banks have been managing to reconcile each night the debits and credits drawn on their customers' accounts.

The "bank" ultimately charged with reconciling the buying and selling of all companies' shares trading in the U.S. securities markets is the SEC, along with the agencies it supposedly oversees in seeing that trades are settled properly -- the SROs, DTCC, NSCC, broker-dealers, etc.

The "customer accounts" overseen by the SEC are the companies listed on all the various exchanges of the U. S. securities markets. The "funds" in those accounts are the authorized shares of stock issued by each customer (company). Just as in the case of a bank and the funds its depositors hold in their individual accounts, the buying and selling of the shares of each company's stock should be reconciled **each night** so that the number of shares sitting in brokerage accounts **never exceeds the total number of shares authorized and issued by each company in their public float.**

This would seem to be obvious. This is what every listed company expects the SEC to control...what they pay the SEC and the SRO's huge fees to monitor and enforce. This is not, however, the service these companies have been receiving from the SEC.

Investors who purchase shares in U.S. listed companies--as well as the nation's taxpayers--also pay the SEC huge sums to ensure market integrity by seeing to it that only legally issued shares of each company are bought and sold in the U.S. markets...and that buyers of those equities actually receive in their accounts the shares they have paid for with real cash.

However, this is also not the service investors have been receiving from the SEC.

While the SEC has a Congressionally prescribed mission and mandate to protect **investors** in companies, for quite some time these have not been the entities they have chosen to protect. They have, instead, opted to protect **non-investors**--otherwise known as "market participants"--primarily comprised of predatory hedge fund shortsellers and their prime brokerage and options market maker facilitators, whose objective is not to "invest" in companies at all, but rather to derive quick profits by driving companies' share prices into the ground as quickly as possible thru massive, manipulative selling of non-existent shares into the market.

Three days later, when it comes time to deliver the shares they have "sold" to buyers, the shares are not there, since they never existed in the first place. Instead, *completely unbeknownst to the buyer of those shares,* and with the apparent blessing of the SEC, the broker-dealer credits to the buyer's account a mere share "entitlement" in exchange for the real money the buyer paid out for a real share, with the "real" share to be delivered at the convenience and leisure and whim of the "market participant" seller at some point in the future. Or never, as is often the case.

This is outright fraud. No federal securities law permits this. No federal securities law authorizes naked short selling, delivery failures, or the placing into customer accounts **past T+3** a "security entitlement" instead of a real security.

Yet this is what the SEC has been allowing to take place for years for the sole benefit of their favored market participant "clients" -- the hedge funds and their prime brokers. Why do they do this? Because these entities, and the law firms who service them, routinely compensate SEC staffers with lucrative post-SEC employment in return for ignoring blatant securities violations during their SEC tenure. It is because of the SEC's active authorization and tolerance of such fraudulent activity, and the massive long-lasting fails-to-deliver resulting from it, that investors worldwide have come to regard the SEC with contempt and disgust; and to view the U.S. markets as the most corrupt, manipulated, and rigged markets in the world. Hundreds of blogs and chat rooms with international participants attest to this.

It is also why foreign companies are delisting from U.S. exchanges at a record pace, IPO offerings are choosing to list on non-U.S. exchanges, and even American companies are choosing to list on foreign exchanges. And why the exodus of investor money, both domestic and international, from the U.S. markets has been an inexorable trend for years.

The U.S. equity markets can only begin to heal, and reverse their reputation for shoddy regulation, when this fraudulent criminal behavior is no longer tolerated by the SEC. It is fraud not to deliver real shares at T+3 which have been bought and paid for with real money. It is a compounding of that fraud to deliberately deceive investors by mis-identifying non-received shares (share entitlements) in brokerage accounts as if they were real shares, an activity the SEC has been condoning and attempting to excuse under cover of a completely non-applicable Uniform Commercial Code (UCC) **State** rule, which has no counterpart in federal securities law.

Adoption of the NIPC's proposed "Customer Account Rule," Rule 15c3-4, would be a step in the right direction towards enforcing the clearance and settlement provisions of the 1934 Securities Exchange Act, and is a necessary action to arrest the downward spiral of investor confidence in the U.S. markets. Its logic and exhaustive documentation are compelling. I support it, and I urge the SEC to adopt it as quickly as possible.

Not to do so is indefensible.

D. L. Keith
Private Investor

cc: Sen. Charles Grassley
Sen. Chris Dodd
Rep. Barney Frank
Rep. Paul E. Kanjorski
GAO
SEC Inspector General